

Medical specialty board. A medical specialty board that devises and administers written examinations to physicians in a particular medical specialty and issues certificates to successful candidates is exempt from tax as a business league under section 501(c)(6) of the Code, but is not exempt under section 501(c)(3).

Advice has been requested whether the medical specialty board described below qualifies for exemption from Federal income tax under section 501(c)(3) or 501(c)(6) of the Internal Revenue Code of 1954.

The board was formed by members of the medical profession to improve the quality of medical care available to the public and to establish and maintain high standards of excellence in a particular medical specialty.

The board's activities consist of devising and administering written examinations and issuing certificates to the successful candidates in the medical specialty. The board determines whether the candidates meet established criteria necessary to qualify for the examination. The certified physicians are authorized by the board to hold themselves out to the public as specialists. Listings of these physicians are made available by the board to various medical groups who in turn make the listings available to the public.

Section 501(c)(6) of the Code provides for the exemption from Federal income tax of business leagues not organized for profit and no part of the net earnings of which inures to the benefit of any private shareholder or individual.

Section 501(c)(3) of the Code provides for the exemption from Federal income tax of organizations organized and operated exclusively for charitable purposes.

Section 1.501(c)(6)-1 of the Income Tax Regulations defines a business league as an association of persons having a common business interest, the purpose of which is to promote such common interest and not to engage in a regular business of a kind ordinarily carried on for profit.

Section 1.501(c)(3)-1(d)(1)(ii) of the regulations provides that an organization is not organized or operated exclusively for charitable purposes unless it serves a public rather than a private interest.

By examining and certifying physicians under the circumstances described, the board promotes high professional standards. Although some public benefit may be derived from promoting high professional standards in a particular medical specialty, the activities of the board are directed primarily to serving the interest of the medical profession. Under these

circumstances, the board is not organized and operated exclusively for charitable purposes. See Rev. Rul. 71-504, 1971-2 C.B. 231. On the other hand, since the activities of the board consist of certifying physicians who are thereafter authorized to hold themselves out to the public as specialists, its purpose is to promote the common business interest of the physicians.

Accordingly, the board is exempt from Federal income tax under section 501(c)(6) of the Code, but is not exempt under section 501(c)(3).

Even though an organization considers itself within the scope of this Revenue Ruling, it must file an application on Form 1024, Exemption Application, in order to be recognized by the Service as exempt under section 501(c)(6) of the Code. The application should be filed with the District Director of Internal Revenue for the district in which is located the principal place of business or principal office of the organization. See section 1.501(a)-1 of the regulations.